

DIRECT TESTIMONY

OF
HAROLD M. HARRIS, JR.
IN OPPOSITION OF
MADERA UTILITIES
FOR INCREASE IN RATES AND CHARGES
DOCKET NO. 2003-368-S

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Harold M. Harris, Jr. My address is 219 Heather Drive, Central, SC 29630, which is in Heatherwood Subdivision.

Q. AS A HEATHERWOOD RESIDENT, WHAT IS YOUR POSITION ON MADERA'S PROPOSED RATE INCREASE?

A. As a resident, I believe that any increase in rates is unjustified, given Madera's track record of poor service and failure to comply with DHEC deadlines. Rather, Madera's operation of the utility should be terminated and operation turned over to the City of Clemson or another public entity.

Q. DO YOU HAVE OTHER QUALIFICATIONS THAT ENABLE YOU TO OFFER TESTIMONY REGARDING MADERA'S PROPOSAL?

A. Yes, I recently retired from Clemson's Department of Applied Economics and Statistics as a Full Professor with over 35 years of experience. I hold a Ph.D. from Purdue University. I have taught courses in economics, business management and public finance. I have conducted research and public educational programs in economics, marketing and public policy during that period. I have served as an expert witness as an economic consultant on approximately 15 cases.

Q. AS AN ECONOMICST, WHAT IS YOUR OPINION OF MADERA'S PROPOSAL, SPECIFICALLY WITH RESPECT TO APPLICANT'S EXHIBITS B, C, D AND E?

A. Madera's current and pro forma income statements and balance sheet clearly demonstrate that Madera's request should be denied, and that the company's license to operate the utility be terminated. Specifically, Exhibit B shows no depreciation or sinking fund for replacing, repairing, and upgrading the lines and system. Exhibit E indicates that the system has been

fully depreciated. That being the case, the accrued depreciation over the years should have been utilized to continuously keep the system in working order. Clearly, as other testimony presented here has indicated, that has not been the case.

Turning to Exhibit C, Madera proposes management fees of \$11,355 in arrears, and \$18,000 annually thereafter. \$29,355 is a steep price for Heatherwood customers to pay each year for a company whose management has failed to provide adequate service, failed to meet DHEC deadlines, and failed to provide proper maintenance for the system. Does the \$6,072 in annual attorney's fees mean that Madera expects to be in court, before this Commission, or before DHEC in years to come? Finally, the proposal calls for loans totaling \$314,000. Exhibit D clearly shows that Madera Utilities, Inc. is insolvent. Who is going to lend money to an insolvent business with a track record like Madera's? In summary, based on examination of Madera's own documents, I respectfully urge that the Commission deny this or any rate increase, and that you provide impetus for speeding the termination of the sorry relationship between this Utility and its customers in Heatherwood Subdivision.